

SUBCOMMITTEE NO. 2

Agenda

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Monday, April 11, 2005
9:30 am
Room 112

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Resources—Environmental Protection—Energy

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3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's budget proposes \$298 million to support DFG in 2005-06. This is a 19 percent reduction from the current year primarily due to a reduction in the amount of bonds available for appropriation in the budget year. General Fund support for this department is approximately \$37 million, which is nearly the same level of funding as in the current year.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$189,090	\$127,220	-\$61,870	-32.7
Hunting, Fishing, and Public Use Management of Lands and Facilities	44,524	45,642	1,118	2.5
Conservation Education and Enforcement	45,617	43,570	-2,047	-4.5
Spill Prevention and Response	50,347	50,933	586	1.2
Capital Outlay	32,914	30,694	-2,220	-6.7
Administration	2,848	0	-2,848	-100.0
less distributed administration	33,233	33,756	523	1.6
Unallocated Reduction	-33,233	-33,756	-523	0.0
Total	-322	-569	-247	0.0
Total	\$365,018	\$297,490	-\$67,528	-18.5
Funding Source				
General Fund	\$37,839	\$37,307	-\$532	-1.4
Special Funds	153,090	143,059	-10,031	-6.6
Bond Funds	73,824	9,252	-64,572	-87.5
<i>Budget Act Total</i>	<i>264,753</i>	<i>189,618</i>	<i>-75,135</i>	<i>-28.4</i>
Federal Trust Fund	65,262	66,656	1,394	2.1
Reimbursements	32,470	38,819	6,349	19.6
Salton Sea Restoration Fund	2,529	2,392	-137	-5.4
Harbors and Watercraft Revolving Fund	5	5	0	0.0
Total	\$365,019	\$297,490	-\$67,529	-18.5

1. Chronic Funding-Related Problems at the Department

Background

The Department of Fish and Game's Mission Has Evolved. Since its establishment in the 1870s, the department has evolved from a governmental agency founded to regulate hunting and fishing activities, to a department with broad public trustee responsibilities for California's fish and wildlife resources. Many of these changes occurred in the 1970s and continue in current statute, including the enactment of the California Environmental Quality Act (CEQA) and the California and federal Endangered Species Acts.

Funding Structure Has Not Evolved to Match Mission. The department has admitted that the funding base has not been changed to match the changes in the department's responsibilities and mission. Many of the new responsibilities under CEQA and other legislation were added to the department's responsibilities without adequate funding to implement and manage the new mandates. This under-funding of the department has been compounded by declining hunting and fishing revenues and increasing pressure on fish and wildlife habitats from human population growth.

This flawed funding structure has caused the department to shift resources away from basic fish and wildlife monitoring activities, data analysis, and land management, to the review of development and resource extraction projects that have potential impacts on fish and wildlife resources. The department has indicated that the consequences of this shift, over time, without adequate funding, include the degradation of the information on fish and wildlife being used by the department and a backlog of environmental improvement work on department lands.

Problems with the Fish and Game Preservation Fund

What is the Fish and Game Preservation Fund? About 33 percent of DFG's budget is supported by the Fish and Game Preservation Fund. This fund receives revenues from hunting and fishing licenses and taxes, commercial fishing permits and fees, and environmental review fees paid by project proponents. Statute provides that some of these revenues may be used to support a *broad* range of programs related to hunting and fishing, as well as fish and wildlife protection and management activities. These revenue sources are referred to as "nondedicated" revenues. The Fish and Game Preservation Fund is also supported by revenue sources that are "dedicated" by statute for specific activities relating to the sources from which they were collected.

LAO Finds Fish and Game Preservation Fund Proposal Contrary to Current Law. The LAO has found that DFG has been overspending certain nondedicated accounts within the Fish and Game Preservation Fund for several years. DFG has utilized reserves from dedicated accounts within the Fish and Game Preservation Fund to make up the shortfalls. Expending dedicated revenues on activities other than those specified in statute is contrary to current law. The LAO finds that the 2005-06 budget proposal includes the expenditure of \$11 million from dedicated accounts for purposes other than those specified in statute.

LAO Finds Fish and Game Preservation Fund Over-Subscribed. The LAO also finds that the level of expenditures from the Fish and Game Preservation Fund for the 2005-06 budget is not sustainable. Specifically, the LAO finds that at the current rate of spending, expenditures will exceed revenues by 2006-07.

Under-collection of Fee Revenues. A portion of the revenues deposited in the Fish and Game Preservation Fund are from environmental filing fees on CEQA projects (commonly referred to as 3158 fees) and fees for streambed alteration permits (commonly referred to as 1600 permit fees). Current law requires the department to collect fees to cover costs associated with the department's review of CEQA projects and streambed alteration permits. However, the LAO has found that the department systemically has not collected adequate fee revenues to cover program costs. This has resulted in the department using funds from other sources (including

dedicated accounts within the Fish and Game Preservation Fund) to cover the remaining costs of this program. This has also contributed to the problems cited above by the LAO.

Inflexible Funding Sources. There are approximately 26 dedicated accounts within the Fish and Game Preservation Fund. The rigidity of these dedicated sources inhibits the department's ability to manage its resources effectively and creates administrative difficulties in terms of tracking specific expenditures and specific funding streams. This latter was highlighted by the LAO's findings cited above. Furthermore, the problem is compounded in that the dedicated accounts do not necessarily match DFG's mandates. This problem manifests itself throughout DFG's budget and is not limited only to activities funded by the Fish and Game Preservation Fund.

Declining Revenues from Hunting and Fishing Licenses. A portion of the revenues deposited in the Fish and Game Preservation Fund are from fees on hunting and fishing licenses. These revenues have been declining steadily over time due to a reduction in the number of hunting and fishing license buyers and stagnant fee levels. As a result, there is generally less funding available for fish and wildlife management activities, maintenance of department managed lands, and other services to the public. This has contributed to the problems cited above by the LAO.

General Under-funding an Issue. As mentioned previously, another problem that has contributed to the problems identified by the LAO (cited above) is the general under-funding of the department's mandates. Specifically, DFG has not received additional funding for many of its expanded environmental mandates starting in the 1970s. Some additional General Fund resources were provided to the department in the 2000-01 budget year, but these increases were eliminated over the past several budget cycles. There continues to be a need for a model of funding that provides adequate funding for, at least, of a baseline level of work associated with managing fish and wildlife resources and their habitats for all Californians.

Recommendation

Staff Comments. Given the continued importance of the public trust protection responsibilities of the department, it is critical that the administration and the Legislature work together to find solutions to the many funding-related problems at DFG. The work of the department is critical to all Californians and should be funded accordingly. The department's mandates have been expanded well beyond regulating hunting and fishing in the state, but the revenue sources have not been modified adequately to reflect this shift.

Staff Recommendation. Consistent with the recommendation by the LAO, staff recommends that the Subcommittee direct the administration to resubmit its budget proposal for the Fish and Game Preservation Fund. The proposal should be consistent with current law or suggest statutory changes, if needed.

2. Office of Spill Prevention and Response

Background. The Office of Spill Prevention and Response (OSPR) is contained within DFG and is mandated to prevent, prepare for, and respond to spills of oil and other hazardous materials. The office is also mandated to restore and enhance resources affected by spills.

Governor's Budget. The Governor's budget provides \$31 million to support this program in the budget year. This is approximately \$2 million less than is provided in the current year due to a reduction in reimbursements.

The Governor's budget proposes to increase funding by \$8,000 from the Oil Spill Response Administration Fund to support equipment and training for a pipeline spill response team within the Inland Program of OSPR. The team will identify and locate pipelines that could pose major threats to the California environment and work to mitigate pipeline oil spills when they occur.

DOF Review of OSPR. The Department of Finance recently completed a review of OSPR. This review resulted in several recommendations regarding the administration of the program. The issues identified include the following:

- **Distributed Administration Charges High.** The DOF has found that DFG charges OSPR a higher percentage of its revenues for distributed administration costs than any other fund. The DOF has recommended that the DFG budget office review its distributed administration methodology to standardize its charges.
- **Charges on Habitat Remediation Projects High.** The DOF has found that DFG charges OSPR a distributed administration fee on all funds passed through DFG to OSPR to fund habitat remediation projects. The DOF finds that this practice is inappropriate and that the charge DFG makes should be more reflective of the administrative labor required by DFG.
- **OSPR Fund Balance.** The DOF has found that because revenues to the OSPR fund exceed expenditures, a relatively large fund balance has built up. The DOF suggests that options for utilizing this fund balance be explored. The fund balance is estimated to be approximately \$23 million.

Staff Recommendation. Staff recommends that the Subcommittee hold open the budget for the Office of Spill Prevention and Response and direct DFG to provide additional information on what it is doing to respond to DOF's recommendations listed above.

3. Marine Life Protection Act

Background. The Marine Life Protection Act (MLPA) of 1999 requires DFG to review and improve the existing network of marine protected areas, which are designated by law or administrative action in order to protect marine life and habitat. The MLPA requires DFG to submit a final master plan which recommends a preferred network of MPAs and addresses how MPAs will be managed, monitored, and enforced. The Master Plan is to be submitted to the Fish and Game Commission for approval by December 1, 2005.

The department's initial efforts at implementing the MLPA received considerable criticism. Concerns were raised that the process adopted by DFG of establishing MPAs did not provide for sufficient public participation, lacked a strong foundation in science, and was not sufficiently funded. The *2004-05 Budget Act* provided \$500,000 for MLPA implementation and specified that the funds were to be used to leverage private resources. The department and the Resources Agency subsequently entered into a partnership with a private foundation to assist in the implementation of MLPA. The department indicates a private foundation will provide about \$2 million for the initial implementation of MLPA.

Governor's Budget. The Governor's budget proposes \$500,000 from the Environmental License Plate Fund to support MLPA implementation in the budget year. This is the same level of funding that is estimated to be expended in the current year by the state. However, this funding is leveraging over \$2 million in private foundation expenditures.

MLPA Implementation Timeline. The administration is now implementing the MLPA through several steps. The administration first established the California MLPA Blue Ribbon Task Force to work with the Resources Agency and DFG to restart the implementation of MLPA. The taskforce is now developing a master plan (including recommendations for specific marine protected areas) in stages through 2011. The taskforce should be submitting its first work product to the Fish and Game Commission by May 2005. This work product will be a draft framework that will serve as a guiding document for the development of marine protected areas.

Funding Needs Uncertain. The LAO indicates that, without the draft framework the taskforce is preparing for the Fish and Game Commission, it is difficult to determine funding needs for successful implementation of MLPA in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee hold this issue open pending receipt and review of the draft framework document from the taskforce.

4. Maximizing Federal Fisheries Restoration Grant Funds

Background. Since 1981, DFG has provided grant funds through the Fisheries Restoration Grant Program (FRGP) to landowners, public agencies (including DFG), and nonprofit groups to restore salmon and steelhead populations through improved habitat. The program funds a variety of different activities including education projects, on-the-ground restoration work, and field surveys by DFG.

About \$13 million in federal funds have been provided annually over the last several years for this purpose. However, to leverage the federal funds, a 25 percent match is required by the state.

Governor's Budget. The department has indicated that approximately \$12 million in federal funds are available for these grants in the budget year. However, it is not clear whether the administration is proposing corresponding state funds to match the federal funds that are available. Failure to provide matching funds would result in a loss of federal funds for fisheries restoration grants.

Staff Recommendation. Staff recommends that the Subcommittee hold the department's federal funds budget open pending additional information regarding how the department plans to match available federal funds.

5. Enhancing Land Management

Background. As mentioned in Issue 1 of this agenda, there are many funding-related problems at the department. One of the areas where DFG is under-funded is in the management of department-owned lands. The five major resources bonds that have been approved by the voters have resulted in DFG owning additional acres of wildlife habitat. However, there have not been additional funds made available to the department to manage these properties.

Governor's Budget. The budget proposes an additional \$2.2 million from Proposition 12 bond funds and federal funds for various projects to manage and enhance lands owned by the department. Federal funds will be used to fund erosion control and vegetation management on department-owned properties in San Diego County that pose a fire threat. The federal funds are provided by the Office of Emergency Services from a Federal Emergency Management Act grant.

Staff Comments. This additional funding is just a fraction of what is needed at the department for land management activities. State properties are a pivotal component of the state's plan to protect California's public trust fish and wildlife resources. General Fund expenditures are an appropriate funding source for these activities since they broadly protect public trust resources. However, the state's current fiscal situation requires the exploration of other options for funding. Supplemental report language was adopted at the March 14 meeting of the Subcommittee to direct the Resources Agency to develop an options report for addressing the state's land management funding shortfall.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget request.

6. Other Budget Change Proposals

Governor's Budget. The Governor's budget includes the following budget change proposals:

- **Sierra Nevada Forest Lands and Fuels Management Program.** The budget provides \$403,000 (\$90,000 for 2004-05 and \$360,000 for 2005-06) in reimbursements from the Department of Forestry and Fire Protection (CDF) for support in updating its Programmatic Timber Environmental Impact Report (EIR). The EIR is required before CDF embarks on a multi-year effort to reduce fuels in the Sierra Nevada with Proposition 40 bond funds. This fuel reduction project was approved in the 2004-05 budget.
- **Funding for the CalTip Program.** The budget provides a one-time augmentation of \$98,000 from the Fish and Game Preservation Fund to replace equipment and to fund a portion of the dispatch contract with the Department of Parks and Recreation to support the CalTip program. The CalTip program is a confidential witness program that allows the public anonymously to report wildlife violations via a toll-free hotline.

- **Cantara Train Derailment Cleanup.** The budget proposes to continue for two more years two limited-term positions and other consultant contracts to support the grant monitoring and restoration activities at the Cantara Loop Bridge on the upper Sacramento River. This was the site of the freight train derailment that spilled 19,000 gallons of a pesticide into the river in 1991, effectively sterilizing the river. These activities will be supported by \$557,000 in reimbursements.
- **Funding for Fishing Programs.** The Governor proposes \$113,000 in federal funds to fund an expansion of the Fish Health Program that inspects imported fish and fish proposed for planting into public waters to minimize the impact of diseases on native species. The budget also includes \$1.2 million (\$860,000 federal funds and \$286,000 Fish and Game Preservation Fund) for a Central Valley angler survey that is needed to continue to allow recreational fishing in the presence of listed species on the federal Endangered Species Act.

Staff Recommendation. No issues have been raised with these proposals and staff recommends that the Subcommittee approve the budget requests outlined above.

3340 California Conservation Corps

Background. The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources and provide employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects that conserve and enhance the state's natural resources and environment. In addition to activities traditionally associated with the Corps, such as tree planting, stream clearance, and trail building, the Corps responds to emergencies caused by fires, floods, earthquakes, and other natural disasters. The Corps also develops and provides funding for 11 community conservation corps.

Governor's Budget. The Governor's budget proposes \$102 million to support the Corps in 2005-06. This is an increase of nearly \$30 million from current year expenditure levels due to increases in capital outlay projects funded by the Public Buildings Construction Fund. General Fund support for this program is proposed to remain relatively the same as in the current year.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Training and Work Program	\$72,613	\$60,249	-\$12,364	-17.0
Capital Outlay	0	42,449	42,449	0.0
Administration	6,480	6,480	0	0.0
<i>less distributed administration</i>	<i>-6,480</i>	<i>-6,480</i>	<i>0</i>	<i>0.0</i>
Unallocated Reduction	0	-378	-378	0.0
Total	\$72,613	\$102,320	\$29,707	40.9
Funding Source				
General Fund	\$23,749	\$24,130	\$381	1.6
Collins-Dugan California Conservation Corps Reimbursement Account	29,420	31,745	2,325	7.9
Other Special Funds	607	598	-9	-1.5
Bond Funds	8,410	3,398	-5,012	-59.6
<i>Budget Act Total</i>	<i>62,186</i>	<i>59,871</i>	<i>-2,315</i>	<i>-3.7</i>
Reimbursements	10,428	0	-10,428	-100.0
Public Buildings Construction Fund	0	42,449	42,449	0.0
Total	\$72,614	\$102,320	\$29,706	40.9

1. Collins-Dugan Reimbursement Account

Background. The Collins-Dugan Reimbursement Account earns revenues from reimbursements paid by project sponsors for work done by corpsmembers. Statute provides that the Collins-Dugan Account can be used to support a broad range of activities of the Corps.

Governor's Budget. The budget proposes expenditures of \$31.7 million from the Collins-Dugan Reimbursement Account. The proposed level of Collins-Dugan Account expenditures is projected to leave the account with a reserve of \$15.8 million—or about 50 percent of proposed expenditures—at the end of 2005-06.

The budget proposes to increase expenditures from the Collins-Dugan Reimbursement Account by \$3.3 million in the budget year. These funds are proposed to restore funding for the Corps' residential center in Ukiah and statewide evening education and training programs. Funding for the Ukiah facility and programs were reduced significantly in the last several years due to General Fund reductions. Approximately 34 positions (14 for the Ukiah facility) are proposed to be restored, funded by the proposed increase in funding from the Collins-Dugan Reimbursement Account.

LAO Finds Fund Reserve Unnecessarily High. The LAO finds that, in each year since 2001-02, more than \$10 million in funds remained available in the reserve of the Collins-Dugan Reimbursement Account at the end of the budget year. The LAO finds that the Corps could use a portion of this reserve to support expenditures currently proposed to be funded from the General Fund. Specifically, the LAO recommends a one-time increase in expenditure authority of \$11.5 million from the Collins-Dugan Reimbursement Account and a corresponding one-time reduction in General Fund. This would leave the Collins-Dugan Reimbursement Account with a \$4.3 million reserve, which is about 10 percent of expenditures.

California Conservation Corps Accounting Suspect. The Corps have indicated that there may be some systemic problems with the handling of accounting and budgeting related to the Collins-Dugan Reimbursement Account. They have indicated to staff that inconsistencies in the way in which this account has been budgeted may have resulted in an inflated reserve.

Staff understands that there are risks and challenges associated with managing cash flow when department expenditures are largely supported by reimbursements. However, the LAO has indicated that the Corps has special budget bill authority that allows the department to request loans from the General Fund to address cash flow problems that may arise during the year.

Staff Recommendation. Staff recommends that the Subcommittee hold open the Corps budget until the department is able to justify its budget proposal.

2. Fuel Reduction and Fire Training Project

Background. The 2004-05 budget included \$1.5 million to the Corps to fund a fuel reduction and fire training program. This project included using \$310,000 in Workforce Investment Act (WIA) funds, \$625,000 in Proposition 40 bond funds from the California Department of Forestry and Fire Protection (CDF), and \$545,000 in reimbursements from work performed by the corpsmembers to fund fuel reduction in the Sierra Nevada and provide fire suppression training for about 75 corpsmembers.

Governor's Budget. The Governor's budget does not provide additional funding for this program in the budget year.

Update. The department has indicated that the contract with CDF has begun and that the Resources Agency is supporting the effort to provide fire training to additional corpsmembers so that they can participate in the fuel reduction efforts in the Sierra Nevada.

The Corps have also indicated that they are currently working under another WIA grant from the County of San Diego on reforestation projects in areas burned in the wildfires from two years ago. The Corps indicates that they have been successful in meeting the performance requirements related to the WIA funds. The Corps ability to comply with the performance measures required by the WIA funds had been a concern raised by the Employment Development Department during budget deliberations in 2004.

Despite the work that has been started, it is not clear that the Corps will spend these funds in the current budget year. Therefore, to enable this program to be implemented, these funds may need to be reappropriated. The department has not indicated whether these funds need to be reappropriated in the budget year to ensure that the funds are available to support the program.

Staff Recommendation. Staff recommends that the Subcommittee hold the Corps budget open until the administration has reported on actions that may be needed to continue implementation of the fuel reduction and fire training project.

3. Bond Funds

Governor's Budget. The Governor's budget includes the following budget change proposal:

- **Bond Funds.** The budget provides \$3.3 million from Proposition 40 bond funds. Approximately \$1.2 million is to support the state corps and \$2.1 million supports local conservation corps programs. The budget also provides approximately \$69,000 from Proposition 12 bond funds. Approximately \$5,000 is proposed to support the state corps and the remaining amount supports local corps programs. Only about \$1.4 million in bond funds dedicated to the Corps remain.

Staff Recommendation. No issues have been raised with this proposals and staff recommends that the Subcommittee approve the budget request outlined above.

3480 Department of Conservation

Background. The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

Governor's Budget. The Governor's budget proposes \$915 million to support DOC in the budget year. This is approximately 5 percent less than estimated current-year expenditures due to one-time expenditures in the recycling program and a reduction in the amount of bond funds available for land conservation programs. General Fund support for this program is approximately \$4.9 million, which is 22 percent more than in the current year due to a technical budget adjustment.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Geologic Hazards and Mineral Resources Conservation	\$23,528	\$27,276	\$3,748	15.9
Oil, Gas, and Geothermal Resources	15,208	16,594	1,386	9.1
Land Resource Protection	40,528	21,855	-18,673	-46.1
Beverage Container Recycling and Litter Reduction	886,268	849,551	-36,717	-4.1
Administration	10,621	11,329	708	6.7
<i>less distributed administration</i>	<i>-10,621</i>	<i>-11,329</i>	<i>-708</i>	<i>0.0</i>
Unallocated Reduction	0	-62	-62	0.0
Total	\$965,532	\$915,214	-\$50,318	-5.2
Funding Source				
General Fund	\$3,969	\$4,865	\$896	22.6
Special Funds	914,744	879,467	-35,277	-3.9
Bond Funds	35,684	19,581	-16,103	-45.1
<i>Budget Act Total</i>	<i>954,397</i>	<i>903,913</i>	<i>-50,484</i>	<i>-5.3</i>
Federal Trust Fund	1,713	1,730	17	1.0
Bosco-Keene Renewable Resources Investment Fund	831	858	27	3.2
Reimbursements	8,590	8,713	123	1.4
Total	\$965,531	\$915,214	-\$50,317	-5.2

1. Department of Conservation Reorganization

Background. At the April 4 meeting of this Subcommittee, the LAO testified concerning its recommendation to consolidate the state's recycling programs. The recommendation would transfer the department's Division of Recycling to a new department under the Secretary for Environmental Protection. This would leave DOC with the following functions:

- **California Geologic Survey**—Develops and provides technical information and advice on California's geology, geologic hazards, and mineral resources.
- **Division of Land Resource Protection**—Guides land use planning decisions and administers programs that allow agricultural and open space landowners to voluntarily protect their land.
- **Division of Oil, Gas, and Geothermal Resources**—Provides for the prudent development of hydrocarbon and geothermal resources through the application of sound engineering and regulatory practices.
- **Office of Mine Reclamation**—Provides expertise and advice to lead agencies and operators to promote the use and development of mineral resources consistent with sound conservation practices, and promote effective mine land reclamation to prevent adverse impacts.
- **State Mining and Geology Board**—Operates within DOC, and serves as a regulatory, policy and appeals body representing the state's interest in geology, geologic and seismologic hazards, conservation of mineral resources, and reclamation following surface mining activities.

Before the mid-1980s, when the beverage container recycling program was enacted, DOC was responsible for the activities listed above. Therefore, if the Division of Recycling was transferred to another agency, the department's remaining functions could continue to be managed under the current department structure.

LAO Suggests Evaluating Options for Transferring DOC's Remaining Functions. The LAO finds that the remaining programs under DOC should be evaluated to determine whether they should be transferred to other state agencies and suggests the following option as a starting point for legislative consideration.

- **Geologic Hazards and Mineral Resources Conservation Activities**—Transferred to the State Lands Commission, California Energy Commission, and/or the Seismic Safety Commission.
- **Oil, Gas, and Geothermal Resources Activities**—Transferred to the State Lands Commission and/or the California Energy Commission.
- **Land Resource Protection Activities**—Transferred to the State Lands Commission, the Department of Forestry and Fire Protection, the Department of Food and Agriculture, and/or the Resources Agency.

Staff Recommendation. Staff recommends that the Subcommittee leave this issue open pending receipt of a reorganization plan from the administration and direct staff to evaluate all impacts of transferring DOC's activities to other state agencies.

2. Williamson Act

Background. The Williamson Act allows cities and counties to enter into contracts with landowners to restrict certain property to open space and agricultural uses. In return for these restrictions, the property owners pay reduced property taxes. The contracts entered into between local governments and property owners are ten-year contracts, which are typically renewed each year for an additional year, such that the contract remains at a constant 10 years. Landowners that do not renew their contracts face gradual increases in their property tax over a ten-year period to the level that unrestricted land is taxed. Landowners that cancel their Williamson Act contracts must pay a penalty of 12.5 percent of the unrestricted fair market value of the land.

LAO Recommendation. Over the past several years, the LAO has recommended that the Legislature provide for the gradual elimination of payments to local governments for the local revenue losses associated with Williamson Act contracts. The Analyst has found substantial weaknesses in the program that reduces its effectiveness at preserving open space. For example, the Analyst cites that the state has no control over the specific land parcels and cannot ensure that participating lands are at risk of development pressures. Furthermore, landowners are allowed to cancel or not renew the contracts, which may not result in permanent changes to land use patterns.

Williamson Act Not as Effective at Preserving Open Space Post-Proposition 13. The passage of Proposition 13 in 1978 limited the property tax rate to 1 percent of assessed property value. It also limited increases in a property's assessed value to an adjustment of up to 2 percent annually, with reassessment at market value only upon resale. The effect of these limits has been that, in most cases, property taxes have a small financial impact and only marginally affect decisions to buy or develop real estate. Therefore, a property tax reduction, such as is provided through the Williamson Act, is unlikely to change current or future decisions regarding the development or preservation of open-space lands.

Cancellation Penalties Not Effective Deterrent to Breaking Contract. Current law requires landowners wishing to cancel their Williamson Act contract to pay a penalty of 12.5 percent on the unrestricted fair market value of the property. Despite this penalty, about 25 Williamson Act contracts are cancelled annually. As a result, an average of 1,200 acres of land are no longer under the Williamson Act protections each year. This is especially problematic given the rapid population growth and subsequent demand for housing in the Central Valley, which has traditionally been predominantly agricultural. For example, DOC has already received 37 Williamson Act cancellations for nearly 3,000 acres, so far, in the current year.

Staff Recommendation. The subcommittee may wish to consider directing staff, the LAO, and the administration to develop trailer bill language to increase the penalties assessed for canceling a Williamson Act contract. This would provide a greater disincentive to cancel a Williamson Act contract, thereby increasing the effectiveness of this program in preserving open space.

3. Beverage Container Recycling Programs

Background. The DOC's Division of Recycling administers the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the bottle bill) to achieve and maintain high recycling rates for beverage containers included in the program. The DOC provides a number of services to achieve these goals, including enforcement, auditing, grant funding, technical assistance, and education. Revenues to the Beverage Container Recycling Fund (BCRF) increased 40 percent in 2004-05 due to the implementation of Chapter 753, Statutes of 2003 (AB 28, Jackson) that increased the deposit for beverage containers sold in California.

General Fund Loans. The BCRF has provided several loans to the General Fund in past budget years to help address the state's budget crisis. The General Fund has borrowed approximately \$370 million from the fund. The administration has not proposed repayment of these funds in the budget year. Language in the 2003-04 budget bill indicated that a portion of the loan should be repaid by June 30, 2009. The courts have determined that these funds are not General Fund fungible and must be repaid to the BCRF eventually.

Governor's Budget. The Governor's budget includes the following budget change proposals to augment activities within the Division of Recycling.

- **Cost Surveys.** The budget proposes \$574,000 ongoing from the BCRF to fund the total costs of the biennial recycling costs surveys required by AB 28 (Jackson). The budget was augmented by \$553,000 in 2004-05 for this purpose, but the department indicates that \$900,000 is needed annually to support the work related to these surveys.
- **Criminal Prosecution of Recycling Fraud Cases.** The budget proposes \$446,000 from the BCRF to contract for legal representation with the Attorney General to prosecute criminal fraud in the recycling program. Current fraudulent activity related to the recycling program is estimated at an annual cost of \$3-5 million annually, but could be ten-fold higher.
- **Curbside Registration and Monitoring Program.** The budget proposes \$462,000 (\$402,000 ongoing) from the BCRF to fund 4 new positions to support the curbside registration and monitoring program. Currently, there are virtually no record keeping or reporting systems in place and, consequently, there is minimal oversight of curbside programs in California, with significant potential for fraud. This registration and monitoring program will allow the department to begin to monitor the CRV claims by curbside programs.
- **IT Support.** The budget proposes \$376,000 one-time expenditure authority from the BCRF to upgrade the department's network computing infrastructure. This proposal also includes a one-time augmentation of \$161,000 from the Oil, Gas, and Geothermal Administrative Fund.

Staff Recommendation. No issues have been raised with these proposals and staff recommends that the Subcommittee approve these budget proposals.

4. Division of Oil, Gas and Geothermal Resources

Background. The Division of Oil, Gas, and Geothermal Resources ensures the safe exploration and development of hydrocarbon and geothermal resources. The division ensures that operators use sound engineering practices to protect life, health, property, and natural resources. The division oversees all operations related to mineral extraction from drilling to the plugging of abandoned wells.

Governor's Budget. The Governor's budget includes the following budget change proposals to augment activities within the Division of Oil, Gas, and Geothermal Resources.

- **IT Upgrades.** The budget proposes \$750,000 in one-time expenditure authority from the Oil, Gas, and Geothermal Administrative Fund (funded by assessments and fees on the petroleum industry) to replace the oil and gas production tracking and assessment system and to integrate new functions into the system. The new functions to be integrated include CEQA projects tracking, orphan well program, and penalty process and enforcement tracking.
- **Re-establishes Formerly Vacant Positions.** The budget proposes \$294,000 in ongoing expenditure authority from the Oil, Gas, and Geothermal Administrative Fund to restore 4 of the 17 positions eliminated as a result of the vacancy reductions over the past few years. These positions are clerical and are needed to support the division's enforcement program.
- **IT Support.** The budget proposes \$161,000 one-time expenditure authority from the Oil, Gas, and Geothermal Administrative Fund to upgrade the department's network computing infrastructure. This proposal also includes a one-time augmentation of \$376,000 from the Beverage Container Recycling Fund.
- **Accounting Settle-Up.** A budget trailer bill from 2003 (AB 1747) created the Oil, Gas, and Geothermal Administrative Fund to deposit annual assessments and fees on the oil, gas, and geothermal industry. Formerly, these funds were deposited in the General Fund. However, this legislation did not address the transfer of funds from the General Fund to this special fund. Therefore, the budget proposes to transfer \$859,000 in fee assessment revenues from the General Fund to the new fund.

Staff Recommendation. No issues have been raised with these proposals and staff recommends that the Subcommittee approve these budget proposals.

5. Surface Mining and Reclamation Act

Background. The department's Office of Mine Reclamation provides expertise and advice to lead agencies and operators to implement the Surface Mining and Reclamation Act (SMARA). This act sets forth provisions to promote the use and development of mineral resources consistent with sound conservation practices, and promotes effective mine land reclamation to prevent adverse impacts.

The State Mining and Geology Board operates within the DOC, and serves as a regulatory, policy and appeals body representing the state's interest in geology, geologic and seismologic

hazards, conservation of mineral resources, and reclamation following surface mining activities. The board is the main regulatory agent in adopting regulations for SMARA.

Governor's Budget. The Governor's budget includes the following budget change proposal to augment activities at the State Mining and Geology Board:

- **Legal Services.** The budget proposes \$92,000 in ongoing expenditure authority from the Mine Reclamation Account to fund legal services provided to the board by the Attorney General. These legal services are required to represent the board in trial hearings in order to carry out the board's lead agency responsibilities under SMARA.

Governor's April Finance Letter. The Governor's April 1 Finance letter includes the following proposed amendment to the budget:

- **Additional Positions.** The letter proposes to establish 5 new positions to meet the workload required by SMARA. Three of these positions will review mine inspection reports and advise local lead agencies regarding the adequacy of the reclamation plans that each operating mine is required to prepare. Two of these positions will be used to identify and mitigate abandoned mine hazards. These positions will be established out of resources already budgeted for the department. These restorations are needed due to significant staffing reductions over the past two years as a result of vacancy reductions. However, during the same time period, workload has increased. Funding is already budgeted for these positions.

Staff Recommendation. No issues have been raised with these proposals and staff recommends that the Subcommittee approve these budget proposals.

3680 Department of Boating and Waterways

Background. The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

Governor's Budget. The Governor's budget proposes \$72 million to support DBW, which is approximately the same level of funding estimated for expenditure in the current year. The department is not supported by the General Fund.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Boating Facilities	\$48,246	\$51,145	\$2,899	6.0
Boating Operations	15,921	16,056	135	0.8
Beach Erosion Control	1,238	1,417	179	14.5
Capital Outlay	6,432	3,380	-3,052	-47.5
Administration	2,327	2,338	11	0.5
less distributed administration	-2,327	-2,338	-11	0.0
Total	\$71,837	\$71,998	\$161	0.2
Funding Source				
General Fund	\$0	\$0	\$0	0.0
Abandoned Watercraft Abatement Fund	500	500	0	0.0
Budget Act Total	500	500	0	0.0
Federal Trust Fund	9,427	8,111	-1,316	-14.0
Reimbursements	1,015	1,015	0	0.0
Harbors and Watercraft Revolving Fund	60,895	62,372	1,477	2.4
Total	\$71,837	\$71,998	\$161	0.2

1. Harbors and Watercraft Revolving Fund

Background. The Harbors and Watercraft Revolving Fund is the main source of funding for the Department of Boating and Waterways. This fund is supported by annual appropriations from the Motor Vehicle Fuel Account from the taxes on fuel for vessels. Registration fees paid for vessels, fees paid by licensed yacht and ship brokers and fees associated with boating facilities in state parks are also deposited in this fund.

Governor's Budget. The Governor's budget includes the following budget change proposals to augment local assistance grants and loans at the department from the Harbors and Watercraft Revolving Fund.

- **Small Craft Harbor Planning and Construction Loans.** The budget proposes \$19 million for public loans to develop, expand or rehabilitate marina facilities at 7 locations in the state. Marinas at Downtown Long Beach, Dana Point, and San Francisco are proposed to receive the largest allocations in the budget year.
- **Boat Launching Facility Grants.** The budget proposes \$11.7 million for 14 grants to build or improve launching facilities. The largest grants are proposed to fund projects at the Antioch Marina, Shelter Island in San Diego, Dana Point, and the Port of Redwood City.
- **Private Recreational Marina Loans.** The budget proposes \$3.5 million to fund loans to develop, expand or rehabilitate private marina facilities statewide.
- **Beach Erosion Studies and Projects.** The budget proposes \$816,000 to fund various beach erosion studies and one project. The studies include \$200,000 for a Los Angeles County Coast study; \$100,000 for a Santa Barbara and Ventura Counties study; \$100,000 for an engineering study for the City of Imperial Beach; and \$150,000 for an engineering study for the Cities of Encinitas and Solana Beach. The project proposed for funding is \$266,000 for Long Beach sediment management projects.

The Governor's budget also includes the following budget change proposals to augment state operations of the department from the Harbors and Watercraft Revolving Fund:

- **Water Hyacinth Control Program.** The budget proposes \$85,000 to contract with the California Conservation Corps to assist the aquatic weed control program with controlling water hyacinth in the Sacramento/San Joaquin Delta.
- **Beach Erosion Studies and Projects.** The budget proposes \$350,000 to fund additional studies needed to support the California Coastal Sediment Master Plan. Specifically, \$200,000 is proposed for a study on the impacts surrounding the use of fine-grained sediment for beach replenishment. In addition, \$80,000 is provided to continue to manage the state's involvement in the Coastal Sediment Master Plan development and \$70,000 is provided for a statewide coastal beach attendance study.

The Governor's budget also includes the following budget change proposals for capital outlay projects funded by the Harbors and Watercraft Revolving Fund:

- **Major Projects.** The budget proposes \$80,000 for project planning and studies needed to develop major capital outlay projects for future years.
- **Minor Projects.** The budget proposes \$3.3 million for five location-specific projects and other statewide projects. The statewide projects include emergency repairs, boating trails,

boarding float replacements, information kiosks, and low water improvements to boating facilities.

Staff Recommendation. No issues have been raised with the proposals and staff recommends that the Subcommittee approve these budget proposals.

2. Abandoned Watercraft Abatement Fund

Background. Funding for the Abandoned Watercraft Abatement Fund comes from transfers from the Harbors and Watercraft Revolving Fund. The revenues transferred to the Abandoned Watercraft Abatement Fund come from fines and penalties on abandoned watercraft and proceeds of the sale of such vessels.

Governor's Budget. The Governor's budget includes the following budget change proposal to augment local assistance grants at the department from the Abandoned Watercraft Abatement Fund.

- **Removal of Abandoned Vessels.** The budget proposes \$500,000 for grants to local agencies for the removal of abandoned vessels. The program requires 10 percent in matching funds from the local agency seeking a grant from the department.

Staff Recommendation. No issues have been raised with the proposal and staff recommends that the Subcommittee approve this budget proposal.

3720 California Coastal Commission

Background. The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

Governor's Budget. The Governor's budget proposes \$15.5 million to support the commission in the budget year. This is approximately the same level of funding as estimated for expenditure in the current year. General Fund support for this program is approximately the same level as estimated for expenditure in 2004-05.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Coastal Management Program	\$14,876	\$14,751	-\$125	-0.8
Coastal Energy Program	906	797	-109	-12.0
Administration	1,633	1,619	-14	-0.9
less distributed administration	-1,514	-1,538	-24	0.0
Unallocated Reduction	0	-152	-152	0.0
Total	\$15,901	\$15,477	-\$424	-2.7
Funding Source				
General Fund	\$9,797	\$9,801	\$4	0.0
Special Funds	1,362	1,360	-2	-0.1
Budget Act Total	11,159	11,161	2	0.0
Federal Trust Fund	3,020	3,032	12	0.4
Reimbursements	1,723	1,284	-439	-25.5
Total	\$15,902	\$15,477	-\$425	-2.7

1. Improving Coastal Access and Development Mitigation

Background. The Coastal Commission has employed the use of “offers to dedicate” (OTD) as a mitigation tool in its permitting process. This tool was developed as a result of legal and statutory limitations on imposing mitigation as a permit condition for coastal development. An OTD is quite different from the upfront mitigation requirements often employed by other land use permitting agencies such as the San Francisco Bay Conservation Development Commission. Under OTDs, the permittee is offering to transfer an interest in a portion of his/her land at some point *in the future* (when an entity is found to accept the offer) in return for a permit to develop his/her property *now*.

Once the OTD is recorded, the commission attempts to identify organizations which will accept the OTD, a process which typically takes several years. By accepting the OTD, the accepting agency assumes responsibility for providing and maintaining the mitigation. Pursuant to commission practice, the “offer” of an OTD typically remains in effect for a period of 21 years. If an OTD is not accepted by a third party within the specified time, the OTD expires, resulting in a permanent loss of the mitigation measure agreed to at the time the permit was granted.

Types of OTDs. There are two major categories of OTDs used by the commission: access and nonaccess. Access OTDs provide access within the coastal zone—usually directly to the ocean. These OTDs are identified by their relationship to the ocean: “lateral” OTDs are parallel to the ocean; “vertical” OTDs are perpendicular to the ocean; and “trail” OTDs provide recreation access within the coastal zone.

The second broad category of OTDs are non-access (mainly conservation) dedications. These are generally conservation areas or environmentally important areas where public access is not the primary goal of the mitigation.

Number of OTDs Set to Expire Growing. In a recent report, the LAO finds that there are over 1,400 access OTDs and 1,300 non-access (or conservation) OTDs that are known to have been attached to permits issued by the commission. Of these permit conditions that have been recorded and tracked by the commission, over 40 percent of the OTDs have not yet been accepted.

In addition, the LAO has found that a potentially significant portion of the non-access OTDs with unknown status might also be outstanding. The LAO also finds that a significant number of these OTDs will expire within the next few years (meaning that the “offer” has remained outstanding for 21 years). Almost 30 percent of the OTDs that have not yet been accepted are scheduled to expire in the next four years. In 2004 alone, over 95 OTDs are scheduled to expire, followed by roughly 80 expirations a year in the succeeding three years.

Improving Tracking System of OTDs. The LAO has found that despite recent upgrades to the Coastal Commission’s tracking system for OTDs the Commission still cannot identify the status of about 17 percent of non-access OTDs. Without tracking the status of these OTDs, it is likely that the potential mitigation to be achieved from these properties will either be lost forever, or significantly delayed. The LAO recommends that the Coastal Commission make the tracking of all existing OTDs a high priority. While the commission appears to be moving in this direction, a

lack of adequate funding has resulted in the commission focusing their resources only on those OTDs that are imminently set to expire. The LAO indicates that improved information from the commission on the universe of OTDs is important so that the Legislature can evaluate how well the Coastal Act's objectives are being met through OTDs and to determine future funding requirements connected with OTDs.

Accepting and Opening Outstanding OTDs. Recent legislation (Chapter 518, Statutes of 2002 [SB 1962, Polanco]) requires that the California Coastal Conservancy *accept* all access OTDs that are set to expire. The legislation also required that the Conservancy *open* at least three public accessways annually.

At present, no such arrangement is in place to address non-access OTDs. Therefore, the Commission must find parties to accept the non-access OTDs before they expire. This can be a very time consuming process even if the entities accepting these OTDs are other state agencies because the commission and receiving agency must go through the Department of General Services and State Public Works Board process required by state law to transfer the OTD.

LAO Recommendations. The LAO has made the following recommendations to improve the use of OTDs as effective mitigation tools and to improve legislative oversight over the use of OTDs by the commission. The recommendations include:

- **Report on Universe of OTDs.** The LAO recommends the enactment of report language to direct the commission to report, by January 1, 2006, on the status, location, and expiration date of all outstanding OTDs, including those non-access OTDs not currently being tracked. The LAO recognizes that this may take a one-time augmentation of resources at the commission and suggests that this workload could be supported by the Whale Tail License Plate funds that are currently deposited in the Environmental License Plate Fund.
- **Develop Plan for Accepting and Opening OTDs.** The LAO recommends the enactment of legislation directing the commission, in conjunction with the State Lands Commission and the State Coastal Conservancy, to develop a plan to be submitted to the Legislature to facilitate the acceptance, development, and opening of *all* outstanding OTDs within a specified timeframe to be determined in consultation with the commission and other state agencies. The LAO specifies that the plan should identify (1) the costs to meet the plan's objective, (2) potential state funding sources, and (3) organizations that could potentially assume the long-term management of the OTDs.
- **Designate a State Agency to Accept Non-access OTDs.** The LAO recommends that legislation be enacted that requires a state agency to accept non-access OTDs. They recommend legislation similar to SB 1962 which requires that public access OTDs be accepted by the State Coastal Conservancy before expiring and being lost to the public for future use. The LAO notes that there are relatively no direct costs associated with accepting OTDs based on the process set up in SB 1962 that bypasses the Department of General Services and State Public Works Board process.

Funding Options. The Coastal Commission has indicated that additional funds are needed to implement the LAO's first two recommendations. The funds needed for these activities are one-time in nature.

Staff finds that a one-time shift from the Whale Tail License Plate Funds that are deposited directly into the Environmental License Plate Fund would be an appropriate funding source for these activities. However, since the Environmental License Plate Fund is fully subscribed it would require a reduction in activities at another department to facilitate the transfer to the commission.

Another potential funding source could come from an increase in Coastal Commission permitting fees. In the 2004 budget deliberations, legislation was considered that would increase the Coastal Commission's permitting fees so that they covered approximately 50 percent of the cost of the permitting program and would limit the transfer of fee revenues to the State Coastal Conservancy to \$500,000. An increase in the permit fee would generate approximately \$3 million. A portion of the budget savings created by this fee increase could be redirected to provide one-time funding to implement the LAO's recommendations related to OTDs. The LAO finds that the Coastal Commission's current permit fee schedule is much lower than comparable fees charged by local governments and that fee funding is a more appropriate funding source for the program since the permittees are direct beneficiaries of the commission's permitting activities.

Staff Recommendation. Staff recommends that the Subcommittee direct staff, the LAO, and the administration to work on trailer bill language to implement the LAO's recommendations and to develop options for funding the LAO's recommendations.

2. Review of LNG and Off-Shore Oil Leases

Background. The California Coastal Commission permits all development within the coastal zone, which includes new liquefied natural gas (LNG) terminals on the coast and associated pipelines related to new LNG terminals and existing marine oil terminals (MOT). The Commission is required to review these proposals for their consistency with Local Coastal Plans prior to issuing a permit and is also required to engage in compliance activities to ensure that the conditions of the permit are being implemented.

The commission has a relatively small staff (approximately 4 positions) to review all energy-related applications. This is of concern given the amount of work related to the court ordered review of 36 marine oil terminal leases and several complex LNG proposals that are expected to require review by the commission in the upcoming months.

Previous Subcommittee Meeting. At the March 14 meeting of this Subcommittee, the Secretary of Resources was directed to provide additional information on the state's overall effort for reviewing the forthcoming LNG proposals and the marine oil terminals. Staff has not yet received correspondence from the Resources Agency. Staff indicates that information provided to the Subcommittee should also include information about the funding needs at the Coastal Commission so that they can adequately review the federal marine oil terminal leases and new LNG proposals.

Staff Recommendation. Staff recommends that the Subcommittee hold open the Commission's budget pending receipt of workload information being prepared by the Office of the Secretary for Resources on the current and projected work required by the state agencies under the Resources Agency in reviewing LNG applications and lease extensions on the marine oil terminals.

3. Budget Change Proposals

Governor's Budget. The Governor's budget includes the following budget change proposal to augment the Coastal Commission's budget:

- **Coastal and Marine Education.** The budget proposes \$419,000 for local assistance grants from the Whale Tail Fund to support coastal and marine education programs. The department indicates that 55-65 percent of these funds will be allocated through a competitive grant process and the remainder will be allocated as targeted opportunity grants.

Staff Recommendation. No issues have been raised with this proposal. Staff recommends that the Subcommittee approve as budgeted.

3760 State Coastal Conservancy

Background. The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

Governor's Budget. The Governor's budget proposes \$69 million to support SCC in the budget year. This is approximately \$217 million less than estimated for expenditure in the current year due to a reduction in the amount of bond funding available for appropriation. The SCC is not supported by the General Fund.

Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Coastal Resource Development	\$4,659	\$4,744	\$85	1.8
Coastal Resource Enhancement	3,335	4,610	1,275	38.2
Capital Outlay	278,260	59,577	-218,683	-78.6
Administration	2,905	3,174	269	9.3
less distributed administration	-2,905	-3,174	-269	0.0
Total	\$286,254	\$68,931	-\$217,323	-75.9
Funding Source				
General Fund	\$0	\$0	\$0	0.0
Special Funds	12,925	2,050	-10,875	-84.1
Bond Funds	236,894	57,248	-179,646	-75.8
Budget Act Total	249,819	59,298	-190,521	-76.3
Federal Trust Fund	4,415	2,125	-2,290	-51.9
Reimbursements	27,065	1,920	-25,145	-92.9
State Coastal Conservancy Fund	4,954	5,588	634	12.8
Total	\$286,253	\$68,931	-\$217,322	-75.9

1. Fish Passage Barrier Study

Background. The State Coastal Conservancy has conducted an extensive inventory of fish passage barriers in California's coastal watersheds. Some of the barrier data were collected from existing sources, while other barriers were identified in surveys commissioned by the Conservancy. The data were collected and standardized and are now managed in a database and geographic information system (GIS) that is available on the World Wide Web. The Conservancy has identified over 13,000 coastal fish passage assessment sites. Of these sites 3,300 are known fish passage barriers, 636 are known not to be barriers, and the remaining 9,000 need further evaluation.

Data From Study is Important. The inventory conducted by the Conservancy has been an important tool for awarding block grants to grantees for the purposes of designing fish passage improvement projects throughout coastal watersheds. This data has also been shared with other agencies involved in restoring fisheries and aids with assessments being done by other agencies involved in planning projects that improve fish passage in coastal watersheds.

More Analysis Needed. Additional analysis is needed to investigate the 9,000 plus fish passage sites to determine if they are barriers. The Conservancy indicates that it is conducting a minimal level of analysis to determine where future inventory and assessment efforts should be conducted if funding becomes available. However, there is little funding available for large scale inventory and assessment efforts to fill in the data gaps. Nevertheless, some work is being done to improve fish passage at known barriers utilizing bond funds appropriated to the Conservancy.

Department of Transportation Owns Many Potential Fish Barriers. The Department of Transportation (Caltrans) is the largest owner of potential fish barriers in the state. Many of these are in the form of culverts (over 200,000 statewide) that traverse the state's rivers and streams. Using a federal grant, Caltrans recently completed a two-year pilot program that assessed culverts in three counties on the North Coast of California. As part of the culvert assessment, the department also performed fish passage assessments that showed that approximately 80% of culverts failed to adequately provide passage for fish species of concern at all life stages. The committee recognizes that Caltrans is making efforts to address this significant issue, but Caltrans still remains out of compliance with state and federal laws such as NEPA, CEQA and the state's Fish and Game Code.

Caltrans' Culvert Inspection Proposal Presents Opportunity. Caltrans' 2005-06 budget proposal includes \$3.5 million and 40 positions to initiate a culvert inspection and repair program. This proposal, however, does not include resources to continue to perform fish passage assessments such as those done on the North Coast. Caltrans estimates that it would cost between \$15 and \$20 million to perform the fish passage studies on all culverts in the state's remaining coastal watersheds. This information does not, however, reflect any prioritization of watersheds or stream crossings. Staff finds that sufficient information does exist that would allow Caltrans to prioritize the most critical crossings in the remaining coastal watersheds and substantially reduce the costs of this first phase of assessment. Staff finds that Caltrans' proposed culvert inspection program presents an important opportunity to coordinate the assessment of structural integrity with a fish passage assessment.

Caltrans Barriers Impede State's Fisheries Recovery Efforts. Other state agencies have spent over \$200 million in the last five years on improving habitat and other efforts to recover fish species. A primary problem remains, however, in assuring that fish have access to spawning and rearing habitat. Having the information that could be provided by assessment of Caltrans' culverts would be tremendously valuable in the state's overall efforts to recover these species, many of which are listed as endangered or threatened under state and federal law.

Staff Recommendation. Staff recommends that the Subcommittee work with Subcommittee 4 to require Caltrans to submit a more refined estimate for costs associated with including fish passage assessments as part of their culvert inspection program on priority coastal watersheds and stream crossings. Caltrans should include in its information a description of its efforts to obtain federal or other sources of funding to assist in its efforts to address fish passage issues caused by culverts owned by Caltrans.

2. Public Access Program

Background. The California Coastal Conservancy was designated by statute to accept all access "offers to dedicate" (OTDs) that are set to expire. The Conservancy is also required to open a minimum of three OTD public accessways annually. For more on OTDs, see Issue 1 under the California Coastal Commission.

Governor's Budget. The budget proposal includes \$1.5 million from various special funds to support the Conservancy's public access program. These funds are used for public education projects, public access studies, and to support the Conservancy's statutory requirement to open three access OTDs annually.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal. This program may be impacted by actions taken at subsequent hearings related to the implementation of the LAO's recommendations related to OTDs.

3. California Ocean Protection Council

Background. Recent legislation (SB 1319, Burton) enacted the California Ocean Protection Act with the goal of creating better coordination among state agencies that oversee protection of coastal and marine waters. The act creates an Ocean Protection Council that is required to report to the Governor and Legislature on changes in law and policy needed to meet goals related to ocean and coastal protection.

Governor's Budget. The budget proposes \$1.2 million from the Environmental License Plate fund for start-up costs for the Ocean Protection Council. The revised proposal, submitted March 11, 2005, indicates that \$72,000 will be allocated for one position at the Conservancy to support the council activities. The remaining funds will be expended through contracts and grants with other public agencies, nonprofit organizations, and consultants to carry out actions in the Ocean Action Plan. These actions would include projects related to the following: (1) protection and

restoration of ocean resources; (2) ocean monitoring; (3) research; and (4) education and public information. The first meeting of the council was held on March 21.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget change proposal.

4. Other Conservancy Programs

Governor's Budget. The Governor's budget includes the following budget change proposals to augment the Coastal Conservancy's budget:

- **Watershed Projects.** The budget proposes \$31.5 million in Proposition 50 bond funds to protect coastal watersheds, including land acquisition, restoration, and protection of land and water resources. As required by the bond, 10 percent of these funds will be used for grants to develop facilities that promote public access to natural resources.
- **Coastal Watersheds Marine Program.** The budget proposes \$4 million in Proposition 40 bond funds to restore coastal watersheds. These funds will be used for projects that reduce erosion and siltation, eradicate invasive species, remove barriers to fish passage and reduce non-point source pollution by establishing wetland areas.
- **San Francisco Bay Conservancy Program.** The budget proposes \$4 million in Proposition 40 bond funds and \$2.2 million in Proposition 12 bond funds for various projects to restore wetlands and wildlife habitat and improve public access and recreation in the San Francisco Bay Area.

The budget also proposes to revert and reappropriate funds where the original appropriation period has expired. The proposals include the following:

- **North of Gualala River Projects.** The budget proposes to revert and reappropriate \$5.2 million in Proposition 12 bond funds that have not been spent for various projects to restore wetlands and wildlife habitat in coastal watersheds north of Gualala River.
- **Santa Monica Bay Projects.** The budget proposes to revert and reappropriate \$6.8 million in Proposition 12 bond funds that have not been spent for various projects to restore the Santa Monica Bay.
- **San Diego County Streams Projects.** The budget proposes to revert and reappropriate \$600,000 in Proposition 12 bond funds that have not been spent for various projects to restore wetlands and wildlife habitat on San Diego County streams.

The **April 1 Finance letter** submitted by the administration requests the following budget amendments:

- **Reversion of Proposition 12 Funds.** The April Finance letter proposes the reversion of \$17.5 million in Proposition 12 bond funds. These are the remaining funds of around \$200 million in Proposition 12 bond funds that were allocated to the Conservancy in the 2000 and 2001 budget acts. The reversion of these funds is necessary to support the appropriations that were included in the January budget proposal.
- **Settle-Up Transfers.** The April finance letter also proposes various transfers among accounts within the Proposition 12 bond fund to more appropriately align expenditures with bond fund allocations.

- **Reappropriation of Proposition 40 Funds.** The April Finance letter proposes to reappropriate \$10 million in Proposition 40 bond funds that were allocated in the 2002 budget act. This amount is remaining from a \$160 million Proposition 40 appropriation. Some of the Conservancy's projects have taken longer to implement than previously anticipated.
- **Reimbursement Authority.** The April Finance letter proposes to increase the Conservancy's reimbursement authority by \$5 million. This will allow the Conservancy to receive and expend funds from other entities.

The administration has indicated that the Conservancy was delayed in expending some of these funds due to the passage of the Proposition 50 resources bond that provided additional funding for projects in these areas. The Conservancy has attempted to match projects to the most eligible funding source which in some cases was Proposition 50 bond funds. Therefore, some Proposition 40 bond funds were not expended as anticipated prior to the passage of Proposition 50. In addition, the Santa Monica Bay Restoration Commission process that has coordinated environmental restoration efforts in the bay has been lengthier than previously anticipated.

Staff Recommendation. No issues have been raised with these proposals and staff recommends that the Subcommittee approve as budgeted.

3820 San Francisco Bay Conservation and Development Commission

Background. The San Francisco Bay Conservation and Development Commission (BCDC) implements and updates the San Francisco Bay Plan and the Suisun Marsh Protection Plan. Under these plans, BCDC regulates and issues permits for (1) all filling and dredging activities in the San Francisco, San Pablo, and Suisun Bays including specified sloughs, creeks, and tributaries; (2) changes in the use of salt ponds and other "managed wetlands" adjacent to the bay; and (3) significant changes in land use within the 100-foot strip inland from the bay. The commission's main objectives are to minimize fill in San Francisco Bay and maximize public access to the shoreline.

Governor's Budget. The Governor's budget proposes \$4 million for support of BCDC in 2005-06, which is about the same level as provided in the current year.

3820 San Francisco Bay Conservation Development Commission				
Summary of Expenditures				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Type of Expenditure				
Bay Conservation and Development	\$4,065	\$4,125	\$60	1.5
Unallocated Reduction	0	-50	-50	0.0
Total	\$4,065	\$4,075	\$10	0.2
Funding Source				
General Fund	\$3,206	\$3,204	-\$2	-0.1
Budget Act Total	3,206	3,204	-2	-0.1
Bay Fill Clean-Up and Abatement Fund	192	197	5	2.6
Reimbursements	667	674	7	1.0
Total	\$4,065	\$4,075	\$10	0.2

1. Budget Change Proposals

Governor's Budget. The Governor's budget includes the following budget change proposal to augment BCDC's budget:

- **Temporary Help Blanket.** The budget proposes to redirect \$30,000 from salary savings to create a temporary help blanket to allow the commission to hire temporary staff to address peak workload.

Staff Recommendation. No issues have been raised with this proposal. Staff recommends that the Subcommittee approve as budgeted.

Regional Conservancies

Background. In order to promote the conservation of its land resources, the state has created eight regional conservancies that acquire and protect undeveloped lands in specific regions of the state. The conservancies are departments, located within the Resources Agency, which are charged with, among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general the conservancies were created to protect certain vital land resources that were endangered by development or other threats.

Governor's Budget. The Governor's budget proposes \$54 million for the state's eight regional conservancies. This is 55 percent less than estimated expenditures in the current year due to a reduction in the amount of bond funds available for appropriation.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
3125 - California Tahoe Conservancy	\$37,655	\$24,820	-\$12,835	-34.1
3810 - Santa Monica Mountains Conservancy	29,667	10,217	-19,450	-65.6
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	13,185	5,015	-8,170	-62.0
3830 - San Joaquin River Conservancy	359	374	15	4.2
3835 - Baldwin Hills Conservancy	25,812	9,065	-16,747	-64.9
3845 - San Diego River Conservancy	490	274	-216	-44.1
3850 - Coachella Valley Mountains Conservancy	10,890	505	-10,385	-95.4
3855 - Sierra Nevada Conservancy	0	3,357	3,357	0.0
Total	\$118,058	\$53,627	-\$64,431	-54.6

3125 California Tahoe Conservancy

Background. The California Tahoe Conservancy (CTC) acquires and manages land to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas. It also awards grants to other agencies and nonprofit organizations for the purposes of its programs.

Environmental Improvement Program. The Environmental Improvement Program (EIP) is a multi-state and multi-agency plan to restore and protect the environment in the Lake Tahoe Basin. This program is being implemented by CTC along with the Tahoe Regional Planning Authority, the Department of Transportation, the Department of Parks and Recreation, and various entities in the State of Nevada. The Governor, as part of his environmental action plan, has proposed to update the EIP and accelerate its implementation. The Conservancy has indicated that the next update to the EIP will commence in 2005 and is projected to be completed by 2007.

Governor's Budget. The Governor's budget provides \$34.2 million to implement the EIP in the budget year. The Governor's budget includes budget change proposals to provide \$20.7 million to CTC for the implementation of the EIP in the budget year. The proposals for the CTC detailed below are for local assistance grants and capital outlay projects from Proposition 40 (\$11.7 million) and Proposition 50 (\$9 million).

- **Soil Erosion Control.** The budget provides \$7.5 million for local assistance grants for soil erosion control.
- **Acquisitions.** The budget provides \$1.75 million (\$250,000 for grants and \$1.5 million for capital outlay) for land acquisitions in the Lake Tahoe Basin.
- **Stream Environment Zone and Watershed Restoration.** The budget provides \$6 million (\$1.5 million for grants and \$4.5 million for capital outlay) for projects to restore degraded natural areas to help preserve water clarity in support of the EIP.
- **Wildlife Enhancement.** The budget provides \$1.5 million (\$350,000 for grants and \$1.2 million for capital outlay) for projects and acquisitions that enhance wildlife habitat.
- **Public Access and Recreation.** The budget provides \$4 million (\$2.4 million for grants and \$1.5 million for capital outlay) for projects and acquisitions that improve public access and recreational needs.

The budget also includes \$12.7 million for the Department of Transportation and \$900,000 for the Department of Parks and Recreation to implement the EIP in the budget year.

Funding EIP Going Forward. As mentioned above, the administration has proposed to accelerate the implementation of the EIP to restore and protect the resources within the Tahoe Basin. This will require additional funding sources in upcoming years. The Conservancy has indicated that it has sufficient bond fund allocations to fund activities through the 2007-08 fiscal year based on the current EIP. If expenditures are proposed to be accelerated, the bond funds will likely run out before that point.

Staff Recommendation. No issues have been raised with this proposal. Staff recommends that the Subcommittee approve as budgeted.

3810 Santa Monica Mountains Conservancy

Background. The Santa Monica Mountains Conservancy (SMMC) acquires, restores, and consolidates lands in the Santa Monica Mountains Zone for park, recreation, or conservation purposes.

Governor's Budget. The Governor's budget includes the following budget change proposal to augment SMMC's budget:

- **Capital Outlay and Grants.** The budget provides \$9.5 million in Proposition 50 bond funds for watershed protection projects in the upper Los Angeles river watershed and Santa Monica Bay and Ventura County coastal watersheds.
- **Opportunity Land Acquisitions and Projects.** The budget provides \$13,000 in expenditure authority from the Santa Monica Conservancy Fund. Revenues deposited in this fund are received through donations, settlements, and other sources.

DOF Audit Issues Resolved. In the 2004 budget negotiations, the SMMC was required to provide information to DOF and the Legislature that would increase oversight and accountability of bond funds expended by the conservancy. The DOF has indicated that SMMC has met all of the requirements included in the budget bill language included in the 2004 budget. However, budget bill language has not been amended to reflect these changes.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for SMMC and amend the budget bill language to reflect the settlement of issues with DOF.

3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

Background. The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (SGLAC) acquires and manages public lands in the San Gabriel basin, along the San Gabriel river and its tributaries, the lower Los Angeles river and its tributaries, and the San Gabriel Mountains. The conservancy acquires land to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat restoration and protection.

Governor's Budget. The Governor's budget includes the following budget change proposal to augment SGLAC's budget:

- **State Operations.** The budget proposes \$515,000 to re-establish base staffing for the commission. Staffing for SGLAC had been significantly reduced when Environmental License Plate Fund expenditures were reduced during the 2004 budget process. Funding to support SGLAC would be provided from a combination of ELPF funds (\$283,000) and bond funds (\$132,000 from Proposition 40 and \$100,000 from Proposition 50).
- **Capital Outlay and Grants.** The budget proposes \$4.5 million in Proposition 50 bond funds to fund acquisitions and grants for projects consistent with the watershed and open space plan of the conservancy.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for SGLAC.

3830 San Joaquin River Conservancy

Background. The San Joaquin River Conservancy (SJRC) acquires and manages public lands within the San Joaquin river parkway, which consists of approximately 5,900 acres on both sides of the San Joaquin River between Friant Dam and the Highway 99 crossing.

Governor's Budget. The Governor's budget includes the following budget change proposal to augment SJRC's budget:

- **Parkway Development.** The budget provides \$545,000 in Proposition 40 bond funds to continue development of a San Joaquin River Parkway.
- **Public Access, Recreation, and Environmental Restoration.** The budget provides \$2 million in reimbursement authority to allow the conservancy to seek non-state funds to implement the five-year public access and recreation capital improvement program and advance its environmental restoration program.

Wildlife Conservation Board. The Wildlife Conservation Board (WCB) is designated to make land acquisitions on behalf of SJRC. The Governor's budget provides \$1.5 million in Proposition 40 bond funds to finance acquisitions for SJRC. The administration has also submitted a WCB April 1 letter to provide additional funding for SJRC in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for SJRC.

3835 Baldwin Hills Conservancy

Background. The Baldwin Hills Conservancy (BHC) acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open space, wildlife habitat restoration, and educational services.

Governor's Budget. The Governor's budget includes the following budget change proposal to augment BHC's budget:

- **Conservancy Programs.** The budget proposes \$8.7 million in Proposition 40 bond funds and \$2 million in reimbursement funds for acquisitions and grants to acquire open space.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for BHC.

3845 San Diego River Conservancy

Background. The San Diego River Conservancy (SDRC) acquires and manages public lands within the San Diego River Area. It acquires lands to provide recreational opportunities, open space, wildlife habitat, species protection, wetland protection and restoration, and protection and maintenance of the quality of the San Diego River. This Conservancy is relatively new and does not have bond funds specifically allocated for its operations.

The **April 1 Finance letter** submitted by the administration requests the following budget amendments:

- **Capital Outlay.** The April Finance letter proposes \$500,000 in reimbursement authority for the San Diego River Conservancy. The Conservancy has submitted several applications for grant funding and believes it will succeed in obtaining at least \$500,000 in the budget year.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for SDRC.

3850 Coachella Valley Mountains Conservancy

Background. The Coachella Valley Mountains Conservancy (CVMC) acquires and holds, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.

Governor's Budget.

- **Capital Outlay and Grants.** The budget proposes \$218,000 in Proposition 40 bond funds for capital outlay and grants for acquisition, protection, and development of lands within the Coachella Valley and the surrounding mountains.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals for CVMC.

3640 Wildlife Conservation Board

Background. The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

Governor's Budget. The Governor's budget proposes \$29 million for the WCB in 2005-06, which represents more than a 95 percent reduction from the current year. This reduction is due to a significant reduction in the bond funds available for appropriation. General Fund support for this board is \$200,000, which is at about the same level of funding as in the current year.

April Finance Letter. The April 1 Finance letter submitted by the administration requests the following budget amendments:

- **San Joaquin River Conservancy Projects.** The April 1 Finance letter for WCB includes an additional \$1 million in Proposition 40 bond funds for capital outlay projects.
- **Reversion and Reappropriation of San Joaquin River Conservancy Funds.** The letter also proposes to revert and reappropriate \$2.5 million in Proposition 40 bond funds that were appropriated in 2002. The Conservancy was not able to encumber these funds due to unanticipated complexities and challenges related to making land purchases that support the SJRC's River Parkway Master Plan.
- **Reversion of Oversubscribed Bond Funds.** The letter proposes to revert \$19.2 million in Proposition 40 bond funds and \$25 million in Proposition 50 bond funds. These funds were appropriated by the Legislature in 2003 to meet the state's Habitat Conservation Fund obligations and free up General Fund monies that had been allocated to meet this requirement. However, since these funds were already continuously appropriated at WCB, this resulted in a double appropriation of the same funds.

Staff Recommendation. Staff recommends that the Subcommittee approve the April Finance letter proposed for WCB.